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ORIGINAL EXCEPTION

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August 6, 2001

AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

Re: Rocky Lake Water Company Rate Application
Docket No. W01498A-01-0223

In the matter of Rocky Lake Water Company's rate application, Docket No. W01498A-01-0223, the Company respectfully submits the attached Company exceptions to Staff's report.

Very truly yours,

For Fred T. Wilkinson
Rocky Lake Water Company

Arizona Corporation Commission

DOCKETED

AUG 06 2001

DOCKETED BY	
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Attachment: Original and Ten Copies

Summary of Exceptions to Staff Report

Rate Base

The Company accepts Staff's proposed adjustments to Rate Base

Operating Revenues

The Company accepts Staff's proposed adjustments to Operating Revenues.

Operating Expenses

The Company accepts Staff's proposed adjustments to Operating Expenses.

Rate of Return

The Company accepts Staff's proposed Rate of Return.

Rate Design

The Company proposes an alternative rate design. A rate design comparison is shown in the attached Exception Schedule 1. This schedule shows the present rate, Company original proposed rates, Staff proposed rates, and Company exception proposed rates. Monthly minimum charges for meters larger than the 5/8" x 3/4" are scaled on the 5/8" x 3/4" meter minimum charge. A typical bill analysis is shown in the attached Exception Schedule 2. The Company has only one class of customer – 5/8" x 3/4" meter residential.

The primary differences between Staff's proposed rate design and the Company's exception proposed rate design are in the monthly minimum charges, commodity charges and gallons in each tier, and in the service line and installation charges. The Company's exception proposed rate design will produce approximately the same revenues as does Staff's. This was confirmed with Staff Rate Analyst, Elena Zestrijan. Further, the average and median bill's are roughly comparable. Finally, the Company exception proposed rate design is also three tiered and will encourage conservation, as does Staff's.

The Company proposed monthly minimum charges provide for less revenue elasticity than Staff's. As customers conserve water, the Company will produce less water sales revenue and not earn the rate of return as proposed by Staff. Further, the Company has experienced little customer growth (approximately 16 customers in the test year) and will not be able to overcome revenue decreases from conservation with revenue increases from customer growth. Higher minimums will ensure that conservation will have less impact on the Company's cash flow and earnings in the future.

The proposed service line and installation charges should not be zero. This may have been an oversight by both the Company and Staff.

Rocky Lake Water Company
RATE DESIGN
Test Year Ended September 30, 2000

Exhibit
Exception Schedule 1
Docket No. W-01498A-01-0223

Line No.		Present Rates	Company Original Proposed Rates	Staff Proposed Rates	Company Exception Proposed Rates
1	<u>Monthly Usage Charge</u>				
2	5/8" X 3/4" Meter	\$ 8.60	\$ 11.00	\$ 9.00	\$ 10.65
3	3/4" Meter	-	16.50	13.50	16.00
4	1" Meter	-	27.50	22.50	26.60
5	1 1/2" Meter	-	55.00	45.00	53.25
6	2" Meter	-	88.00	72.00	85.20
7	3" Meter	-	165.00	135.00	159.75
8	4" Meter	-	275.00	225.00	266.00
9	6" Meter	-	714.00	450.00	532.50
10					
11	Gallons included in Minimum	1,000	-	-	-
12					
13	Excess of Minimum - per 1,000 gallons (0-5,000 gallons)	\$ 1.20	\$ 1.25	\$ 1.35 (0 to 7,000 gallons)	\$ 1.20
14	Excess of Minimum - per 1,000 gallons (5,001-20,000 gallons)	\$ 1.20	\$ 1.25	\$ 1.50 (7,001-25,000 gallons)	\$ 1.35
15	Excess of Minimum - per 1,000 gallons (over 20,000 gallons)	\$ 1.20	\$ 1.25	\$ 1.65 (over 25,000 gallons)	\$ 1.55
16					
17	<u>Service Line and Meter Installation Charges</u>				
18					
19	5/8" X 3/4" Meter	\$ 500.00	\$ -	\$ -	\$ 500.00
20	3/4" Meter	535.00	-	-	535.00
21	1" Meter	660.00	-	-	660.00
22	1 1/2" Meter	1,025.00	-	-	1,025.00
23	2" Meter	1,315.00	-	-	1,315.00
24	3" Meter	-	-	-	-
25	4" Meter	-	-	-	-
26	6" Meter	-	-	-	-
27					
28	<u>Service Charges</u>				
29	Establishment	\$ 10.00	\$ 30.00	\$ 30.00	\$ 30.00
30	Establishment (After Hours)	10.00	40.00	40.00	40.00
31	Reconnection (Delinquent)	10.00	30.00	30.00	30.00
32	Meter Test (if correct)	20.00	45.00	45.00	45.00
33	Deposit	*	*	*	*
34	Deposit Interest	*	*	*	*
35	Re-Establishment (within 12 months)	**	**	**	**
36	NSF Check	10.00	15.00	15.00	15.00
37	Deferred Payment	1.50%	1.50	****	****
38	Meter Re-Read (if correct)	-	5.00	5.00	5.00
39	Late Payment	-	-	1.50%	1.50%
40					
41	<u>Monthly Service Charge for Fire Sprinkler</u>				
42	4" or smaller	\$ -	\$ -	***	***
43	6"	-	-	***	***
44	8"	-	-	***	***
45	10"	-	-	***	***
46	Larger than 10"	-	-	***	***
47					
48	* Per Commission Rules (R14-2-403.B)				
49	** Months off system times the minimum (R14-2-403.D)				
50	*** 1.00% of Monthly Minimum for a Comparable Sized Meter Connection,				
51	but no less than \$5.00 per month. The Service Charge for Fire Sprinklers				
52	is only applicable for service lines separate and distinct from the primary				
53	water service line.				
54	**** 1.50 percent of the unpaid monthly balance.				
55					
56					

Rocky Lake Water Company
 5/8 x 3/4 Inch Meter
 Typical Bill Analysis

Exception Schedule 2
 Docket No. W-01498A-01-0223

Line No.	Customer Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase	Present Rates:
1	-	8.60	10.65	2.05	23.84%	
2	501	8.60	11.25	2.65	30.82%	\$ 8.60
3	1,001	9.20	12.45	3.25	35.32%	Gals. Included
4	2,001	10.40	13.65	3.25	31.25%	Minimum
5	3,001	11.60	14.85	3.25	28.02%	1,000
6	4,001	12.80	16.05	3.25	25.39%	Commodity
7	5,001	14.00	17.25	3.25	23.21%	Charge
8	6,001	15.20	18.45	3.25	21.38%	\$ 1.20 over 5,000 gallons
9	7,001	16.40	19.73	3.33	20.27%	\$ -
10	8,001	17.60	21.08	3.48	19.74%	\$ -
11	9,001	18.80	22.43	3.63	19.28%	Proposed
12	10,001	20.60	24.45	3.85	18.69%	Rates:
13	12,001	23.00	27.15	4.15	18.04%	Minimum
14	14,001	25.40	29.85	4.45	17.52%	\$ 10.65
15	16,001	27.80	32.55	4.75	17.09%	Gals. Included
16	18,001	30.20	35.25	5.05	16.72%	Minimum
17	20,001	34.40	39.98	5.58	16.21%	-
18	25,001	40.40	47.23	6.83	16.89%	Commodity
19	30,001	46.40	54.98	8.58	18.48%	Charge
20	35,001	52.40	62.73	10.33	19.70%	\$ 1.20 up to 7,000 gallons
21	40,001	61.40	74.35	12.95	21.09%	\$ 1.35 7,001 to 25,000 gallons
22	50,001	73.40	89.85	16.45	22.41%	\$ 1.55 Over 25,000 gallons
23	60,001	85.40	105.35	19.95	23.36%	
24	70,001	97.40	120.85	23.45	24.08%	
25	80,001	109.40	136.35	26.95	24.63%	
26	90,001	121.40	151.85	30.45	25.08%	
27						
28						
29						
30						
31	<u>Company Exception Proposed</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>	
32	Average Use	9,791	19.15	22.82	3.67	19.16%
33	Median Use	6,574	15.29	18.54	3.25	21.26%
34						
35	<u>Staff Proposed</u>					
36	Average Use	9,791	19.15	22.94	3.79	19.80%
37	Median Use	6,574	15.29	18.11	2.82	18.45%
38						